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2007 APR 16 A 9:35

AZ CORP COMMISSION
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UniSourceEnergy
SERVICES

Arizona Corporation Commission
DOCKETED

APR 16 2007

April 13, 2007

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

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Re: Compliance Filing due pursuant to A.A.C. R14-2-1618; D.
Docket No. RE-00000C-00-0377, Decision No. 63486

Docket Control:

UNS Electric, Inc. is required by A.A.C. R14-2-1618, section D to file reports on sales and portfolio power demonstrating the output of portfolio resources, the installation date of portfolio resources, and the transmission of energy from those portfolio resources to Arizona consumers. Please find enclosed an original and thirteen copies of the required reports for the year ending 2006. Also enclosed is an additional copy of the filing that the Company requests you date-stamp and return in the self-addressed, stamped envelope for our files.

If you have any questions, please do not hesitate to contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Cc: Brian Bozzo, ACC
Carmela Leon, ACC
Dave Couture, UNS

UNS Electric, Inc.

**2006 Annual Report on
Environmental Portfolio Standard Programs**

**Prepared for:
Arizona Corporation Commission**

Submitted: April 1, 2007

EPS Activity Summary

Pursuant to the Arizona Corporation Commission (“Commission”) Order in Docket No. E-04204A-04-0304, Decision No. 67178, UNS Electric, Inc., a subsidiary of UniSource Energy Services (“UNS Electric”) (formerly Citizens Communication Company, Mohave Electric Division and Santa Cruz Electric Division [“Citizens”]) presents its annual report on Environmental Portfolio Standard (“EPS”) programs for the period covering January 1, 2006 through December 31, 2006.

Based on the percentage requirements of the portfolio standard, the following chart of MWh requirements has been used to forecast the UNS Electric EPS annual renewable energy needs:

EPS MWh Requirements

| Year | UNSE/Citizens' Retail MWh Sales | EPS % | EPS MWh Required | Accumulated EPS MWh Required |
|-----------|---------------------------------|-------|------------------|------------------------------|
| Actual | | | | |
| 2001 | 1,275,036 | 0.20 | 2,550 | 2,550 |
| 2002 | 1,136,581 | 0.40 | 4,546 | 7,096 |
| 2003 | 1,392,466 | 0.60 | 8,355 | 15,451 |
| 2004 | 1,462,633 | 0.80 | 11,701 | 27,152 |
| 2005 | 1,520,947 | 1.00 | 15,209 | 42,361 |
| 2006 | 1,611,420 | 1.05 | 16,920 | 59,281 |
| Projected | | | | |
| 2007 | 1,659,763 | 1.10 | 18,257 | 77,538 |
| 2008 | 1,709,555 | 1.10 | 18,805 | 96,343 |
| 2009 | 1,760,842 | 1.10 | 19,369 | 115,712 |
| 2010 | 1,813,667 | 1.10 | 19,950 | 135,662 |
| 2011 | 1,868,077 | 1.10 | 20,549 | 156,211 |
| 2012 | 1,924,120 | 1.10 | 21,165 | 177,376 |
| Total | 19,135,107 | | 177,376 | 912,733 |

Surcharge revenues and program expenditures applicable for 2006 are summarized in Table 1. EPS energy totals for 2006 and program to date are shown in Table 2. The energy (kWh) output from UNS Electric’s on-site photovoltaic stations is outlined in Table 3.

Table 1
Summary of EPS Programs
Period from January 1, 2006 through December 31, 2006

| Summary of Program Revenues | | | |
|--|---------------|---------------------------------|--------------------|
| Description | Thru 12/31/05 | Period 1/01/06 - 12/31/06 | Life of Program |
| GreenWatts Total | \$3,973 | \$6,302 | \$10,275 |
| Renewables Surcharge Total | \$2,270,053 | \$550,207 | \$2,820,260 |
| Total EPS Program Revenues | \$2,274,026 | \$556,509 | \$2,830,535 |
| Summary of Program Expenditures | | | |
| Hardware Buydown Program | \$62,878 | \$168,051 | \$230,929 |
| Landfill Gas Credits | \$467,000 | \$173,250 | \$640,250 |
| Marketing | \$19,235 | \$20,060 | \$39,295 |
| Materials & Supplies | \$167 | \$1,159 | \$1,326 |
| Outside Services & Contracting | \$400 | \$4,589 | \$4,989 |
| Payroll | \$18,316 | \$39,017 | \$57,333 |
| TEP Support Services | \$9,487 | \$0 | \$9,487 |
| Training & Travel | \$967 | \$6,358 | \$7,325 |
| Total EPS Renewables Expenditures | \$578,450 | \$412,484 | \$990,934 |
| Program Balance | | | |
| | \$1,695,576 | \$144,025 | \$1,839,601 |

Table 2
Summary of EPS Energy Totals
Period from January 1, 2006 through December 31, 2006

| Description | Cumulative Thru 12/31/05 | Reporting Period 1/1/06 - 12/31/06 | Cumulative Thru 12/31/06 |
|--|-----------------------------|---|--------------------------------|
| Retail Sales, kWh | 5,281,925,000 | 1,611,420,000 | 6,893,345,000 |
| UES EPS Requirement (1.05% of retail sales for 2006), kWh | 28,672,900 | 16,919,910 | 45,592,810 |
| "Other" Credits Needed To Meet EPS Requirements (40% in 2006), kWh | 11,469,160 | 6,767,964 | 18,237,124 |
| "Solar Electric" Resource Credits Needed to Meet EPS Requirements (60% in 2006), kWh | 17,203,740 | 10,151,946 | 27,355,686 |
| "Solar Electric" Resource Credits Generated, kWh (Note 1) | 337,476 | 221,190 | 558,666 |
| "Solar Electric" Resource Credits Purchased, kWh (Note 1) | 0 | 0 | 0 |
| "Other" Credits Generated, kWh | 0 | 0 | 0 |
| "Other" Credits Purchased, kWh | 18,680,000 | 6,930,000 | 25,610,000 |
| Total "Solar Electric" Credits, kWh | 337,476 | 221,190 | 558,666 |
| Total "Other " Credits, kWh | 18,680,000 | 6,930,000 | 25,610,000 |
| Excess "Solar Electric" Credits Above Meeting EPS Requirements, kWh | -16,290,916 | -16,698,720 | -32,989,636 |
| Excess "Other" Credits Above Meeting EPS Requirements, kWh | 1,819,200 | 162,036 | 1,981,236 |

(Note 1) Includes extra credit multiplier, 2.0 for 2006

Table 3
EPS Solar Energy Production
Period from January 1, 2006 through December 31, 2006

| KG | LH | NO | |
|--------|--------|----------------|-----|
| | | 30 | |
| | 649 | | |
| | | 0 | |
| | 5,182 | | |
| | 3,519 | | |
| 2,518 | | | |
| 2,650 | | | |
| 18,780 | | | |
| 4,597 | | | |
| | 4,746 | | |
| | 7,773 | | |
| | 3,369 | | |
| | 2,836 | | |
| | 4,462 | | |
| | 2,124 | | |
| | 4,336 | | |
| | 9,211 | | |
| | 1,374 | | |
| | 5,065 | | |
| | 4,751 | | |
| 5,367 | | | |
| | 571 | | |
| 4,893 | | | |
| 3,706 | | | |
| 4,965 | | | |
| | 1,062 | | |
| | 2,708 | | |
| 47,476 | 63,089 | 30 | kWh |
| | | | |
| | | 110,595 | kWh |

Total actual kWh generated for the year:

110,595* 2.0 multiplier (in-state credits, distributed generation) = 221,190 kWh

Cumulative Solar kWh generated:

| Year | kWh | Multipliers .5 Early Installation .5 In-State Installation .5 Distributed Generation | Total EPS kWh |
|-------|---------|---|------------------|
| 1998 | 19,000 | 2.5 | 47,500 |
| 1999 | 19,000 | 2.5 | 47,500 |
| 2000 | 19,000 | 2.5 | 47,500 |
| 2001 | 19,000 | 2.5 | 47,500 |
| 2002 | 19,400 | 2.5 | 47,500 |
| 2003 | 13,333 | 2.0 (Early Install Multiplier Ended) | 26,700 |
| 2004 | 9,978 | 2.0 | 19,956 |
| 2005 | 26,738 | 2.0 | 53,476 |
| 2006 | 110,595 | 2.0 | 221,190 |
| Total | | | 558,822 |

SOLAR PROJECTS TO DATE

Two solar projects were initiated in 1997. The two systems installed by Citizens were part of a pilot project undertaken in partnership with a TEAM-UP utility working group. The group received funds from the federal Department of Energy through a partnering program with the Utility Photo Voltaic Group.

This solar project includes two sites:

Lake Havasu City:

- 2 Systems
- Each system comprised of 12 panels for a total of 24 panels
- Site output is approximately 4 kW
- Grid connected (no battery storage)

Kingman:

- 2 systems
- One system is comprised of 13 panels, the other has 14 for a total of 27 panels
- Site output is approximately 4 kW
- Grid connected (no battery storage)

In addition, to further meet the EPS requirements, UNS Electric purchased 6,930 MWh of Landfill Gas Credits from Tucson Electric Power (TEP), issued under EPS Credit Certificate No. TEP/UNSE - 004. With this purchase, UNS Electric will carry a credit surplus of 1,981 MWh of "Other" credits into 2007.

UNS Electric received approval from the Arizona Corporation in August 2004 for the GreenWatts and SunShare Programs. Since the inception of the SunShare Program, twenty-five customers have received \$230,929 in subsidies through 2006.